

ELECTRONICALLY FILED

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 Equity Security Holders Of USA Capital First Trust Deed Fund, LLC

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:
 USA COMMERCIAL MORTGAGE COMPANY,
 Debtor.

) BK-S-06-10725-LBR
 Chapter 11

In re:
 USA CAPITAL REALTY ADVISORS, LLC,
 Debtor.

) BK-S-06-10726-LBR
 Chapter 11

In re:
 USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,
 Debtor.

) BK-S-06-10727-LBR
 Chapter 11

In re:
 USA CAPITAL FIRST TRUST DEED FUND, LLC,
 Debtor.

) BK-S-06-10728-LBR
 Chapter 11

In re:
 USA SECURITIES, LLC,
 Debtor.

) BK-S-06-10729-LBR
 Chapter 11

Affects

- ☐ All Debtors
☒ USA Commercial Mortgage Co.
☐ USA Securities, LLC
☐ USA Capital Realty Advisors, LLC
☒ USA Capital Diversified Trust Deed
☒ USA First Trust Deed Fund, LLC

) Date: July 25, 2006
 Time: 9:30 a.m.
 Place: Courtroom #2

**SUPPLEMENTAL RESPONSE OF THE OFFICIAL COMMITTEE OF EQUITY
 SECURITY HOLDERS OF USA CAPITAL FIRST TRUST DEED FUND, LLC TO
 MOTION FOR AUTHORITY TO FORBEAR AND TO PROVIDE FURTHER FUNDING
 FOR CERTAIN OUTSTANDING LOANS (AFFECTS DEBTORS USA COMMERCIAL
 MORTGAGE COMPANY, USA CAPITAL FIRST TRUST DEED FUND, LLC AND USA
CAPITAL DIVERSIFIED TRUST DEED FUND, LLC)**

1 **TO THE HONORABLE LINDA B. RIEGLE, UNITED STATES BANKRUPTCY JUDGE:**

2 The Official Committee of Equity Security Holders of USA Capital First Trust
3 Deed Fund, LLC (the "FTDF Committee") appointed in the above-captioned bankruptcy cases
4 (the "Chapter 11 Cases"), hereby submits its supplemental response (the "Supplemental
5 Response") to the "Motion for Authority to Forbear and To Provide Further Funding for Certain
6 Outstanding Loans" (the "Motion"), filed by USA Commercial Mortgage Company ("USACM"),
7 USA Capital First Trust Deed Fund LLC (the "FTDF") and USA Capital Diversified Trust Deed
8 Fund, LLC, certain of the above-captioned debtors and debtors and possession (the "Debtors"),
9 based on the facts and argument set forth below:

10 1. On June 9, 2006, the Debtors filed the Motion seeking approval to forbear
11 or provide additional funds to four projects subject to first priority, secured loans made by
12 various investors, including the USA Capital First Trust Deed Fund, LLC.

13 2. On June 19, 2006, the FTDF Committee filed a limited opposition to the
14 Motion (the "Limited Opposition").

15 3. On June 26, 2006, the Court entered an order granting the Motion with
16 respect to the Franklin Stratford Project.

17 4. On July, 18, 2006, the Court entered an order, which among other things,
18 continued the hearing on the Debtors' request to enter into a forbearance agreement with Homes
19 for America Loans with respect to four loans (the "HFA Loans"), including a loan to HFAH-
20 Monaco, LLC (the "Monaco Loan") to July 25, 2006.

21 5. As set forth in the Limited Opposition, FTDF owns a 100% interest in the
22 loan to Monaco Loan. There is \$4 million in principal and approximately \$1.3 million in interest
23 due on the Monaco Loan, and the Debtors have deemed the Monaco Loan to be a non-
24 performing loan. The current maturity date is December 19, 2006.

25 6. The Debtors seek to enter into a forbearance agreement with the borrower
26 on the Monaco Loan until January 1, 2007. The Debtors do not attach a sample forbearance
27 agreement and state only that they will "forbear from declaring a default and . . . forbear from
28 exercising remedies." The FTDF Committee cannot evaluate the forbearance request absent the

1 terms and conditions of such forbearance.

2 7. Further, despite numerous requests from the FTDF Committee, many of
3 the FTDF Committee's questions about the Monaco Loan, some of which have been pending for
4 six (6) weeks, have not been answered, including why the Monaco Loan is a non-performing
5 loan (and not just because the interest is due, but why such interest is due), whether the former
6 insiders or any of their entities are borrowers on this loan, and the solvency of the loan's
7 guarantor(s) as well as whether the guarantees are collateralized. Significantly, the Debtors have
8 failed to explain adequately why the forbearance will assist the borrower in its ability to
9 refinance. Furthermore, the Debtors have advised that there will no consideration in exchange
10 for the forbearance.

11 8. Notwithstanding the fact that the FTDF Committee has not received
12 answers to its questions and due to the many other pressing issues in these cases, the FTDF
13 Committee has elected not to oppose the forbearance request.

14
15 Respectfully submitted this 21st day of July, 2006.

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